

Microfinance as a Tool for Women Empowerment: A Case Analysis of Saadhana Microfin Society

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Microfinance programmes like the Self Help Group (SHG)-Bank Linkage Programme (SBLP) in India have been increasingly hailed for their positive economic impact and the empowerment of women. This is based on the view that women are more likely to be credit constrained, have restricted access to wage Labour market and have limited decision-making and bargaining power within the household. The present paper describes the concept as well as importance of women empowerment and its linkage with microfinance. Many of the Microfinance Institutions (MFIs) like Working Women's Forum (WWF), Sharada's Women's Association for Weaker Section, Mission Shakti, Self-Employed Women's Association (SEWA), etc., are working for the empowerment of women and on these lines one of the leading MFI of Andhra Pradesh namely Saadhana Microfin Society is working for the same cause. Therefore, the present study endeavors the Saadhana's microfinance model in detail with a special focus on the organization's management practices contributing towards women empowerment.

Overview

Saadhana Microfin society was created in Andhra Pradesh in the year 2001 to reach out to the urban and rural poor women with the specific mandate to catalyze the 'Endeavor of the poor for Self-Sufficiency'. It is a non-profit organization founded by Mr. Ernest Paul having close to two decades of experience in the domain of microfinance. Saadhana was developed with the objective to provide continuous, qualitative and affordable financial services for the poor women in urban as well as rural areas of Andhra Pradesh by

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establishing and promoting Self-Sustainable financial institutions for improving the income levels of the clientele to attain sustainable livelihood and better quality of life. It had set out its operations in the urban slums of Kurnool District, Andhra Pradesh, on 12th December 2001, using a fast track model – drawn upon the positive features of ‘Grameen Bank’ methodology. Saadhana, since its beginning in 2001 has now reached out to more than One Lakh poor women within a span of seven and half years and continues to manage its growth with operations now covering five Districts of Andhra Pradesh. This case discusses Saadhana’s microfinance model in detail with a special focus on the organization’s management practices.

Introduction

CONCEPT OF WOMEN EMPOWERMENT

Empowerment signifies increased participation in decision-making and it is this process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer, 2001). Personal empowerment can lead to changes in existing institutions and norms, however, without the collective empowerment the personal empowerment and choices are limited. Empowerment is also related to the concepts of social capital and community driven development with which it is sometimes confused.

According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome. Social capital, on the other hand, features social organization such as networks, norms and inter-personal trust that facilitate coordination and cooperation for mutual benefit.

MICROFINANCE AND WOMEN EMPOWERMENT

A majority of microfinance programmes target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Whereas, other believe that investing in women’s capabilities empowers them to make choices which is not only a valuable goal in itself but it also contributes to greater economic growth and development.

Hashemi et.al (1996) investigated whether women’s access to credit has any impact on their lives, irrespective of who had the managerial control. Their results suggest that women’s access to credit contributes significantly to the magnitude of the economic contributions reported by women, to the

likelihood of an increase in asset holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness as well as in composite empowerment index. They also found that access to credit was also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations.

Holvoet (2005) finds that in direct bank-borrower minimal credit, women do not gain much in terms of decision-making patterns. However, when loans are channeled through women's groups and are combined with more investment in social intermediation, substantial shifts in decision-making patterns are observed. This involves a remarkable shift in norm-following and male decision making to more bargaining and sole female decision-making. She finds that the effects are even more striking when women have been members of a group for a longer period and especially when greater emphasis has been laid on genuine social intermediation. Social group intermediation had further gradually transformed groups into actors of local institutional change.

Mayoux (2001) also warns about the inherent dangers in using social capital to cut costs in the context of other policies for financial sustainability. The reliance on peer pressure rather than individual incentives and penalties may create disincentives and corruption within groups. Reliance on social capital of women clients along with increasing emphasis on ideals of strict economic accounting at the programme level require increased voluntary contribution by the members in terms of time and effort. It has been found that those putting in voluntary contributions also expect to be repaid in the form of leadership of the group etc.

It has also been observed that small increases in women's income are also leading to a decrease in male contribution to certain types of household expenditure. Rahman (1999) using anthropological approach with in-depth interviews, participant observations, case studies and a household survey in a village, finds that between 40per cent and 70per cent of the loans disbursed to the women are used by the spouse and that the tensions within the household increases(domestic violence).

Another issue that needs further investigation is whether without change in the macro environment, does microfinance reinforce women's traditional roles instead of promoting gender equality? A woman's practical needs are closely linked to the traditional gender roles, responsibilities, and social structures, which contribute to a tension between meeting women's practical needs in the short-term and promoting long-term strategic change. By helping women meet their practical needs and increase in their efficacy in their traditional roles, microfinance can help women to gain respect and achieve more in their traditional roles, which in turn can lead to increased esteem and self-confidence. Although increased esteem does not automatically lead to

ent it does contribute decisively to a woman's ability and willingness to overcome the social injustices and discriminatory systems that they face (Kuhn, 2002). Finally, it is important to realize that empowerment is a process. For a positive impact on the women empowerment may take

The re-mentioned studies describe the concept as well as importance of women empowerment and its linkage with microfinance. Many of the Microfinance Institutions (MFIs) like Working Women's Forum (WWF), Women's Association for Weaker Section, Mission Shakti, etc., are working for the empowerment of women. Saadhana Microfin Society, one of the leading MFI of Andhra Pradesh is working for the same cause. The research paper endeavors to study the Saadhana's microfinance model with a special focus on the organization's management practices relating to women empowerment.

PROFILES

Founded in Andhra Pradesh as a non profit organization, Saadhana was established by the sincere and determined efforts of Mr. Ernest Paul, the main pillar and the back bone of the organization, having 18 years of experience in Microfinance. Right from the day when he heard the buzz about micro credit from Prof. Malcolm Harper, he has constantly worked hard to use the power of micro credit to uplift the downtrodden & poor. He has been instrumental as well as the guiding force behind the success of Saadhana in achieving success in reaching more than 1 lakh clients and bringing an end to poverty. His strengths are honesty, transparency, punctuality, and a never say die attitude regarding microfinance and never say die attitude. Mr. Paul has a vision and wants to help the needy and poor by all means. Today he has attained a leadership position and is a consultant, advisor, board member of many organizations in the microfinance sector. He has been attending microfinance related trainings, symposiums, conferences, summits, organized by CGAP (Consultative Group to Assist the Poor), FWWB (Friends of the World Banking) and many other reputed institutions and has upgraded his skills and knowledge from time to time. He has tried his best to inculcate these habits in his team and to a large extent successful as the same is reflected in the organization too.

BAN MARKET

While researching its target market in Andhra Pradesh, Saadhana identified major problems that plagued urban workers pursuing labor in the informal sector, including low wages, indebtedness, unproductive entrepreneurial

efforts, and limitations to upward mobility. Additionally, the lack of access to basic services and productive inputs, such as credit, technology, trading space for vendors, and vocational training aggravated the situations of the working poor further pushing them into poverty, despite their status as a critical component of India's work force. Approximately 89 per cent of workers in the informal economy are women whose contributions have been neglected by state planners and policy makers. Without steady employment or a regular workplace, female workers are often excluded from mainstream trade unions as well. For these reasons, Saadhana initiated the grouping of women by occupations to come together under their own trade unions where they could overcome common issues such as oppression, gender bias, and powerlessness to improve their living and working conditions.

Saadhana Microfin Society

BUSINESS STRATEGY

Mr. Paul has a wide vision and wants to help the needy and poor by all means. After giving micro credit for sometime to the poor, he realized that only credit is not sufficient rather credit plus activity is must. While thinking on these lines he has planned a resource center to give capacity building training programmes to the clients and upcoming Microfinance Institutions (MFIs). Many MFIs have undergone exposure visits in Saadhana and put in to practice the learnings from Saadhana and thereby making their presence felt in the sector.

At Saadhana, there is team work all through under the leadership of a dedicated senior management team. Saadhana believes in reaching manageable number of clients only with quality services instead of running after big numbers. This belief of Saadhana is fetching results and it has never looked back since its inception and is growing slowly and steadily adding a robust number of satisfied clients year after year.

LEGAL STRUCTURE

Incorporated in 2001, Saadhana operates in the adjoining districts of Kadapa, Kurnool, and Mahabubnagar in Andhra Pradesh. Saadhana, a MFI, is a society registered under the Societies Registration Act XXI, 1860 working on the group based lending model. Saadhana lends to self-help groups of women from a common locality. Each group has 10 members and three such groups, mostly from neighboring areas, form a centre. Officials from the MFI visit the centers every week to collect repayments and to make fresh disbursements.

ORGANIZATIONAL STRUCTURE

A seven member executive board from diverse professional backgrounds governs Saadhana. The technical expertise of the Executive board is quite diversified including experts from microfinance, accounting, finance, medicine and social work. The vast experience and commitment of the board paved the way towards realizing the organization's true potential in terms of providing sustainable financial services to the poor people. Under Executive board, the CEO, Mr. Ernest Paul, with his Secretariate and Human resource management team (HRMT) is there. Under CEO there are three Directors one each from Operations, Finance and SPM. Under Director's there are a variety of teams namely, Client Management Team (CMT), Technical Management Team (TMT), Internal Management Team (IMAT), Admin Management Team (ADMT), Finance Management Team (FMT), Accounts Management Team (AMT), Internal Audit Team (IAT), Trainings and Documentation, Development Support Team (DST) and Swajeeva Resource Center (SRC).

Saadhana Microfinancing Society has created a niche for itself in good management practices. Saadhana's management team believes in empowering the employees and uses decentralized methods of controlling and decision making.

OPERATIONS

Areas Covered

Saadhana started its operations in urban Kurnool District located in the semi-arid Rayalaseema region of Andhra Pradesh state and stretched out gradually to the adjacent Kadapa and Mahabubnagar districts on December 2001. Andhra Pradesh is surrounded by Madhya Pradesh and Orissa in the north, the Bay of Bengal in the east, Tamil Nadu and Karnataka in the south and Maharashtra in the west. Andhra Pradesh is the fifth largest state in India and it forms the major link between the north and the south of India.

Saadhana now has its operations across 40 units in 5 Districts namely Kurnool, Kadapa, Mahabubnagar, Anantapur & Prakasam Districts of Andhra Pradesh with eleven area offices Kurnool -1, Kurnool -2, Adoni, Nandyal, Proddatur, Gadwal, Dhone, Anantapur, Hindupur, Ongole and Kadapa. It disbursed the first loan of Rs.50, 000/- on 9th January 2002 to its first group of 10 members (@Rs. 5000/- to each member) and up to 31st March, 2009, Rs.2511.9 millions have been disbursed to 1,03,430 most deserved poor women.

Customers

Most of the impact studies on microfinance around the world address issues that largely reflect the socio economic objectives of various practitioners,

such as improving the status of women, alleviating poverty, enhancing living standards, helping the poor get access to better education, health and nutrition & increasing the poor people's income. Research studies in Saadhana have shown that women are often better borrowers as they tend to invest any little extra money for the betterment of their family/household, especially the welfare of their children. For these reasons, Saadhana works with only female clients in both urban and rural areas.

Saadhana's clients in Andhra Pradesh work as hawker, cloth merchant, ice cream maker, milk vendor, fire wood seller, service specialists, such as dhobis (cleaners) and petty shop owners. Saadhana's outreach in the state extends to more than one lakh members. Before joining Saadhana, many women could not afford to send their children to school and were dependent on them to go out and work in order to sustain the household as they were to repay high amounts of existing debt to local moneylenders who were charging interest rates ranging between 24 per cent and 50 per cent per annum.

Today, women that have joined Saadhana use reasonably-priced credit products to not just invest in their enterprises but also to repay and close outstanding loans with moneylenders or pawn brokers. In addition to taking part in and/or expanding various economic activities, Saadhana members are able to use credit to pay for school fees and purchase textbooks, which has created a noticeable and positive difference in behavior and attitudes among children and their families about their ability to change their live.

Products & Services

Women primarily join Saadhana to get access to financial services, such as credit, that were previously unavailable through the formal sector. The loan amounts available to Saadhana members are not only offered at an affordable interest rate, but are generally greater than those obtained from moneylenders. Most Saadhana clients have their own, independent sources of income and take out loans at their own without the need for husbands or sons to cosign. The organization provides credit to those that run a micro enterprise in order to help the economically active poor enhance and expand their businesses.

Saadhana has three types of products namely: General Loan, Micro Enterprise Development Loan (MEDL) and Social Security Scheme (SSS). Under General Loan category, loan is provided to all the borrowers up to I cycle ranges from Rs. 7000 to 9000 with an increase of Rs. 2000 for every subsequent cycle subject to ceiling amount of Rs. 21000 or one time disbursement to the entire group (10 members) with the Collateral-Group guarantee. The interest rate charged from the borrower is 15per cent flat plus documentation

charges Rs. 20 along with 2per cent Loan Protection fee (LPF) up to 3rd cycle and 1per cent from 4th cycle onwards. The loan has to be repaid in 50 weekly installments.

Under Micro Enterprise Development Loan (MEDL) category, loan is provided to the existing borrowers who have completed two loan cycles, up to loan ranges from Rs. 25000 to 50000, which varies with the enterprise with the Collateral-Group guarantee. The interest rate charged to the borrower is 15per cent flat plus documentation charges Rs. 20 with 1per cent Loan Protection fee (LPF). The loan has to be repaid in 50 weekly installments.

Social Security Scheme (SSS) is an insurance product designed to mitigate the risk & protect the welfare of the borrower. It is compulsory for all the active borrowers with insured risk of the life of the spouse with risk coverage of Rs. 30000 in case of Natural Death, Rs. 75000 in case of Accidental Death & Permanent total disability and Rs. 37500 in case of partial permanent disability. Apart from the above, the immediate compensation of Rs. 1000 for the spouse & Rs. 500 for the client is offered by Saadhana towards funeral expenses. A total of Rs. 125/- p.a. are charged as premium in which Rs. 100 is the premium and Rs. 25 is to cover the funeral expenses of the client & spouse.

Methodology

The working methodology of Saadhana includes seven phases as depicted in Fig.1. In the first phase of Identification of Potential Area/Slum, Saadhana looks for the magnitude of poverty and the size of the slum within the physical access of 8 KM. The processing criteria in the second phase of conducting Preliminary survey are ensuring potentiality, opportunities to take up potential livelihoods, maximum scope for outreach and variety of financial services available in the area/slum, types of competition operating in the area/slum and charges offered. In the third phase there will be general meeting with the slum dwellers in an identified pocket/area. There will be briefing about Saadhana's Profile, Activities and credit policy with a follow-up meeting with the interested/potential members conducted on the very next day. Then there will be identification of preliminary group through member selection of economically active poor women in the age group of 20-50 years having monthly income: individual less than Rs. 1500 and family less than Rs. 2500. She should have been the resident of that particular slum for at least one preceding year. She should not be owning a big house and willing to abide by the credit policy of Saadhana as well as be a co-guarantor for other women in the group. Neither the woman nor her husband should be govt. employees except being scavengers, sweepers, watchman, etc. Neither two

members in a group should have blood relation nor should all the members reside in the same street. In the follow up all the eligible members will form into groups (10 members per group) with leaders.

Fifth phase of working methodology of Saadhana is Group Training, which is a five day training programme. On the first day there is briefing regarding the organization's profile, second day presentation on five norms of Saadhana, third day overview of credit policy, fourth day overall review & preparation for verification and the fifth day there is group verification. Then comes the Verification phase wherein the verification authority will facilitate an oral verification for the group to assess potentiality. Then the successful group agrees upon a mutually convenient day, venue and time & finally will be enrolled as members of Saadhana. In the follow up the groups not successful in the verification test will again undergo training. Finally in the last phase the financial transactions are initiated in two Center Meetings: I- enrollment & weekly repayment cards, as well as loan application and resolution forms are issued. II- Loan is disbursed, with the follow up through weekly meetings.

Operational structure

As depicted from Fig. 2. about operational structure of Saadhana, there are eleven Area offices and each Area office has an Area Manager who handles many Unit Managers plus the Support Services Teams too. Each Unit Manager handles many Credit officers. The Support Services team consists of Accounts Management Team (AMT), Technical Management Team (TMT) & Administration Management Team (ADMT).

In a single Unit there are 2500-3000 clients which are handled by single Unit Manager. He handles work of the whole Unit with the help of four Credit officers; each Credit officer handling 625-750 clients with the help of some low level staff who works under the Credit officers.

OUTREACH SUMMARY

Table 1 presents the outreach summary of the operations of Saadhana microfin society, clearly shows growth in various dimensions of its operations. Over a period of four years i.e. from Apr, 2005 to Mar, 2009 the No. of centers have grown by 110 per cent, No. of Units by 167 per cent, No. of members by 148 per cent, No. of groups by 107 per cent No. of Active clients by 116 per cent, No. of Active loans by 122 per cent, Total No. of loans by 340 per cent, Value of loans by 574 per cent & Gross loan outstanding by 228 per cent.

FINANCIAL SUMMARY

Table 2 shows the financial summary of the operations of Saadhana microfin society. The Net worth has grown by 863per cent & Total Income by 355per cent from Apr 2005 to Mar 2009. The Operational Efficiency allows us to evaluate the costs associated with the supply of financial services. The lower the ratio is, the better the organization rationalizes its activities. In the above table, Saadhana's operational efficiency has decreased from 25.31per cent to 23.76per cent, which means it has reduced its operational cost. Administrative Efficiency means the capacity of an organization/institution or business to produce desired results with a minimum expenditure of energy, time, money, personnel and material, etc. The lower the ratio is, the better the company rationalizes its activities. In the above table, Saadhana's Administrative efficiency has been decreased from 15.60per cent to 11.22per cent, which means it has reduced its expenditure to achieve the desired results in administration. Saadhana has created a niche in its collection mechanism; therefore its Portfolio at Risk (PAR) is 0per cent in both the categories i.e. more than 30 days & more than 90 days, since its inception. The Operational Self-Sufficiency (OSS) ratio means the ability to cover operational expenses with financial income. In the above table, operational self-sufficiency is more than 100per cent, which means Saadhana is operationally self-sufficient. However, one must remember that the OSS ratio takes the revenues coming from subsidies and donations into account and these often represent a large amount in the microfinance money flows (Mueller and Uhde, 2009). Financial Self-sufficiency shows the ability of institution to be fully sustainable in the long-run by covering all operating costs and maintaining value of capital. In table 2, financial self-sufficiency is more than 100per cent, which means Saadhana is financially self-sufficient.

FUNDING FOR THE INITIATIVE

Table 3 reveals information about the institutions/banks which are funding for the clients of Saadhana Microfin Society. Among all funding institutions/banks, Friends of Women's World Banking (FWWB) is the highest funds provider with 26 per cent share of the total amount, followed by Axis Bank with 23per cent, ABN-AMRO with 20 per cent, HDFC Bank with 13 per cent, SIDBI with 11per cent, Karur Vysya Bank & Development credit Bank each with 3.5 per cent. In case of cumulative repayment to funding agencies, FWWB has received the highest share (29.5 per cent) of total repayment amount, followed by Axis Bank with 24 per cent, ABN-AMRO with 23 per cent, HDFC Bank with 12 per cent, SIDBI with 11per cent and Karur Vysya Bank with 0.5per cent. Interestingly DCB has not been made any repayment.

In case of outstanding loans, Saadhana owes highest towards Axis Bank (22 per cent), followed by FWWB with 21per cent, ABN-AMRO with 15 per cent, HDFC Bank with 14 per cent, SIDBI with 11 per cent, DCB with 9 per cent & Karur Vysya Bank with 8 per cent.

HR POLICIES AND WELFARE MEASURES

Saadhana has very dedicated and reliable staff who act as the backbone of the organization. Saadhana is providing a lot of amenities to its employees like Employee Provident Fund, Group Personal Accident Insurance, Staff Loans, Staff Vehicle Grants, Seasonal Perks, Special Gift Packages, Festival Advance, Condolence Package, etc. In addition to that Saadhana supports higher education of staff children through advancing yearly premium for Jeevan Chaya & Jeevan Anurag policy of LIC, the amount for which is recovered from the employee's salaries without charging any interest. In view of expensive education which is beyond affordability of a common man, Saadhana has designed a unique incentive payment for its staff in which the organization sponsors Rs. 2500 for each child (maximum of 2 children) from Nursery through 7th class for every Academic year. Responding to these welfare measures, the staff gives dedicated performance.

MANAGEMENT PRACTICES

Saadhana's management has good experience in carrying out microfinance operations in urban and semi-urban regions, while with rural poor it has burnt its fingers. Hence it avoids lending to the rural poor. It has strong processes and controls. Saadhana also has customized processes (operational, administration, and human resources) and loan monitoring software. It has implemented many good policies. A notable example is the steps taken to improve human resource (HR) processes. These include capturing the staff's feedback on the Saadhana's policies, procedures and systems, organization climate and on training programmes. Going forward, Saadhana aims to have a service level agreement in place for the HR department, along with a 360-degree performance appraisal mechanism. At present, the Saadhana is mapping its core processes and intends to get an ISO certification for them. The lending operations are decentralized, and loan sanctions (other than individual loans above Rs.25, 000 for senior borrowers) are usually done at the branch level. However, the head office keeps a tight control on the demand and collections trend, the details of which are sent to the head office every day. To optimize the use of staff for non-line functions (accounting and information technology), usually four to five branches operate from a single location. The otherwise efficient Microfinance Institution (MFI) has an unusual and rather inefficient

procedure for handling cash at the branch level. All the cash collected at a branch is, at the end of the day, deposited with its bank, only to be fully withdrawn again at the next moment. Other MFIs, generally, factor in the next day's disbursement plan and accordingly make the deposits or withdrawals. Saadhana's management, however, justifies this policy, saying that it generates a trail of verifications. Another shortcoming is that while the MFI has data storage and disaster recovery plans, there are some loopholes in its information security system.

Internal Control

Saadhana, since inception, believes that internal controls play a pivotal role in achieving the objectives of an organization and designing these systems has been a critical management function. Since it has carved out a niche for itself in good management practices. The management team believes in empowering the employees and uses decentralized methods of controlling and decision making. Saadhana believes in reaching manageable number of clients only with quality services instead of running after big numbers. Bearing this in mind, Saadhana has employed highly committed and competent human resource with strong ethical base which has created a controlled environment in the organization. Control policies and procedures have provided reasonable assurance to the management in carrying out its operations efficiently and effectively.

Portfolio Control

In Pre-Disbursement phase of Portfolio control, firstly client appraisal is done to check the potentiality followed by the eligibility checking and then the focus of interaction is on the client's awareness of Saadhana's services, client's knowledge of Saadhana's membership norms, client's understanding of Saadhana's credit policy, data corroboration with co-guarantors in the group, analyzing existing debt obligations of client's household, loan purpose, solidarity, leadership, participation & multiple membership. During the interaction with the clients, the verification authority also appraises the previous experience and skills of the client, feasibility, market and other external risks involved in the proposed project. In the Post-Disbursement phase Saadhana follows Zero tolerance policy to ensure timely repayment and ensures loan utilization as the responsibility of the whole group.

Internal Management and Audit Team

The visionary governance of Saadhana recognized the importance of incorporating checks for both process and financial compliance as the portfolio

and client base expands. Therefore, it constituted an exclusive Internal Monitoring and Audit Team (IMAT) as a detective measure. Internal Monitoring and Audit Team conducts periodic audits and monitors the existing internal controls at both the Head Office (HO) and Area Offices (AOs) and submits a confidential report to the CEO. After every round of audit an internal review of the findings with the concerned staff (HO & AOs) is conducted by the CEO /a designated authority.

Surprise Visit

As a detective measure, the CEO alone or along with the concerned senior manager makes surprise visits to the Area Offices/units. Surprise checks are also there in the Head Office by the CEO. The purpose of surprise visits is to identify and address lapses in adhering to policy and to check whether the inbuilt control procedures are actually functioning or need to be revised.

Delinquency Management

A credit programme cannot succeed if it is lenient on repayments. Saadhana has strived to create a culture of zero tolerance with regard to non-repayment. As a first step towards inculcating zero tolerance, the duty has been fixed with the Credit Officers (COs) and their Unit Managers (UMs) who are fully responsible for collecting timely repayments for the portfolio under their management. The COs are instructed not to leave a center meeting without 100 per cent repayment. To assist the COs and UMs in this task, a system has been created that provides them repayment information weekly and enables them to conduct effective and timely follow up of loan repayments for managing their portfolios efficiently. Portfolios of individual COs in a Unit are constantly tracked by the respective UMs on payments due, time and amount overdue.

In the Pre-delinquency Management phase, Saadhana believes that it is an essential process that starts with the screening of clients, the checking being done on dual/multiple memberships and finally looking into the client's Debt absorption capacity. As Saadhana is good at pre - delinquency management, it has achieved 100 per cent repayment from clients. It had never faced the problem of non-payment of installments from clients. So the question of post - delinquency management had not arisen yet.

Management Information Systems

Saadhana being an advanced society introduced professionally designed computerized Management Information System (MIS) to deal with the numerous financial transactions related to loans that multiply every year due to constant and fast expansion. To facilitate the information flow between various exclusive

management teams within Saadhana, a customized software, Financial Information and Monitoring Organizer (FIMO) has been put into use. The FIMO package allows the users to view a variety of reports at any point of time. The analytical functions of the package allow the viewer to see financial and operational performance over time.

Awards

Saadhana has been the winner of Micro Process Excellence (MPE) award in fire category in the year 2005. It has also received a special award for demonstrating continued excellence in process management in the form of Micro Finance Excellence Awards in 2006. Saadhana Micro Fin society has also bagged a highly prestigious award “*The Special Commendation Award – SHIMMER*” for best Micro-Insurance Practices in the year 2007. Forbes Magazine in 2008 has compiled its first ever list of Top 50 Microfinance institution from a total of 641 microfinance institutions of the world on the basis of scale, efficiency, risk & return and in that Saadhana has got 15th rank globally and 3rd in India. This list of microfinance institutions is prepared according to scale, which is based on the size of their gross loan portfolio; efficiency, which considers operating expense and the cost per borrower as a percent of the gross national income per capita of their country of operation; risk, which looks at the quality of their loan portfolios, measured as the percent of the portfolio at risk greater than 30 days; and return, which is measured as a combination of return on equity and return on assets. Each category is equally weighted for an institution’s overall ranking. MPE 2008 award under fire category has again been won by Saadhana. It has created history by winning MPE award for three years.

CRISIL Grading To Saadhana

CRISIL has assigned a microfinance institution (MFI) grading of ‘**mfR3**’ to Saadhana. The grading reflects Saadhana’s experienced management, good asset quality and profitable operations. The grading also factors in the modest capitalization, relatively small size vis-à-vis better performing MFIs in the region and the concentration of operations in a small geographical area. CRISIL’s MFI grading is a current opinion on the ability of an MFI to conduct its operations in a scalable and sustainable manner. The grading is assigned on an eight-point scale, with ‘**mfR1**’ being the highest, and ‘**mfR8**’ the lowest. The grading assigned to the components under the MICROS framework (also on an eight-point scale) is shown in Table 4.

The MFI grading is a measure of the overall performance of an MFI on a broad range of parameters under CRISIL’s MICROS framework. It includes

a traditional creditworthiness analysis using the CRAMEL approach, modified to be applicable to the microfinance sector. The acronym MICROS stands for Management, Institutional arrangement, Capital adequacy and asset quality, Resources and asset-liability management, Operational effectiveness, and Scalability and sustainability.

Conclusion

Today, Saadhana microfin society is one of the most well-known and established MFIs working in microfinance with both significant outreach and a high repayment rate in its credit program. There is also a significant role to be played, however, in enabling women to struggle “class, caste inferiority, male dominance, physical weakness, and a closed world,” as well as the “counter-culture” among poor women. In addressing this call for action, Saadhana is an organization that stands apart from others several reasons, including:

Pro-women focus: The exclusive mobilization of women who act as the backbone of family’s income and welfare. Saadhana’s clients are 100 per cent female and the organization provides them with various ways to achieve comprehensive development through access to various facilities like financial services, insurance, and healthcare.

Gender relations: The organization’s activities not only focus on women, but also challenge the existing bias in gender relations in the household, workplace, and local communities.

Portfolio at Risk: Saadhana is having zero per cent PAR (Portfolio at Risk) and 100per cent repayment since commencement of its operations.

Global Recognition: The various awards & recognitions, which Saadhana has to its credit, are! Microfinance Process Excellence award [MPEA] winner under fire category for the year 2005, MPEA continuation 2006, Micro Insurance award 2007, 15th Best MFI among top 50 MFIs in the world by Forbes magazine rating of 2008, MPEA 2008 under Fire Category

Committed Human Resource with Good Management practices: Saadhana is having professional and committed human resource with strong ethical base working under the expert guidance of CEO Mr. Ernest Paul, who is having close to 2 decades exclusive experience in the Microfinance sector. Saadhana has strived to create a culture of zero tolerance with regard to non-repayment. As a first step towards inculcating zero tolerance, the duty has been fixed with the Credit Officers (COs) and their Unit Managers (UMs) who are fully responsible for collecting timely repayments for the portfolio under their management.

Innovative HR Policies and Welfare Measures: Saadhana is providing a lot of amenities to its employees like Employee Provident Fund, Group

Personal Accident Insurance, Staff Loans, Staff Vehicle Grants, Seasonal Perks, Special Gift Packages, Festival Advance, Condolence Package, etc. In addition to that Saadhana supports higher education of staff children through advancing yearly premium for JEEVAN CHAYA & JEEVAN ANURAG policy of LIC which is recovered from the employee's salaries without interest. In view of expensive education which is beyond affordability of a common man, Saadhana has designed a unique incentive payment for its staff in which the organization sponsors Rs. 2500 for each child (maximum of 2 children) for Nursery to 7th class for every Academic year.

Self-sufficient Organization: The operational self-sufficiency ratio and financial self-sufficiency ratio of Saadhana is more than 100per cent, which proves it as a self-sufficient organization.

Saadhana works to organize and mobilize poor urban as well as rural women and provide them with training, credit, social security, and occupationally productive measures to support their livelihood stability and improve the quality of life for them and their families. Overall, the strength of Saadhana as an organization lies in its holistic approach to development and its vision to serve the larger interests of women so that they can take part in the growing economy as a rich human resource utilizing their innate and learned skills. The methodology developed by Mr. Ernest Paul is a unique one that his organization strives to see adopted by women across the country and get passed on through generations. Saadhana has carved out a niche for itself in good management practices. The management team believes in empowering the employees and uses decentralized methods of controlling and decision making. Throughout its years of operation, Saadhana has proved itself capable of bringing positive changes in the lives of urban and rural women with a vision of demonstrating the capacity of this previously under utilized human resource.

Fig. 1: Working Methodology of Saadhana

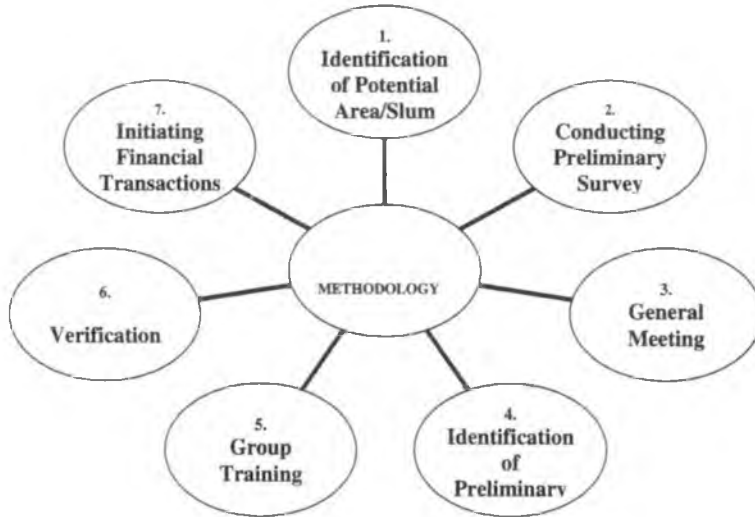


Fig. 2: Operational Structure of Saadhana at the Level of Area Office



Table 1: Outreach Summary of Saadhana

PARTICULARS	Apr '05 to Mar-06'	Apr '06 to Mar-07'	Apr '07 to mar-08'	Apr 08 to Mar-09'
Number of Centers	1643	2196 (33.66 per cent)	2670 (21.58 per cent)	3451 (29.25 per cent)
Number of Units	15	20 (33.33 per cent)	21 (5 per cent)	40 (95 per cent)
Number of Members	41,700	60,440 (44.94 per cent)	76,580 (26.70 per cent)	103,430 (35.06 per cent)
Number of Groups	3,961	5,452 (37.64 per cent)	6,386 (17.13 per cent)	8196 (28.34 per cent)
Number of Active Clients	39,374	54,250 (37.78 per cent)	63,629 (17.29 per cent)	85,102 (33.75 per cent)
Number of Active Loans	38,263	55,569 (45.23 per cent)	62,729 (12.89 per cent)	84,908 (36.36 per cent)
Total Number of Loans	61,944	119,843 (93.47 per cent)	184,433 (53.89 per cent)	272,413 (47.70 per cent)
Value of loans (Rs. In millions)	396.24	932.26 (135.28 per cent)	1,663.30 (78.42 per cent)	2,669.70 (60.51 per cent)
Gross Loan Outstanding (Rs. In millions)	164.49	300.72 (82.82 per cent)	359.92 (19.69 per cent)	540.29 (50.11 per cent)

(Figures in parenthesis show growth percentage over the previous year)

Table 2: Financial Summary of Saadhana

PARTICULARS	Apr '05 to Mar '06	Apr '06 to Mar' 07	Apr '07 to Mar' 08	Apr '08 to Mar'09
Net Worth (Adjusted) (Rs. in millions)	7.61	30.37 (299.34 per cent)	50.01 (64.67 per cent)	73.26 (46.49 per cent)
Total Income (Rs. in millions)	28.34	67.99 (139.93 per cent)	89.44 (31.55 per cent)	128.91 (44.12 per cent)
Operational Efficiency	25.31	21.33	22.00	23.76
Administrative Efficiency	15.60	11.49	11.05	11.21
Portfolio at Risk(>30 Days)	0.00 per cent	0.00 per cent	0.00 per cent	0.00 per cent
Portfolio at Risk(>90 Days)	0.00 per cent	0.00 per cent	0.00 per cent	0.00 per cent
Operational Self-Sufficiency	107.05	138.39	124.31	121.73
Financial Self-Sufficiency	100.94	115.85	110.10	116.99

(Figures in parenthesis show growth in percentage over the previous year)

Table 3: Funding Institutions of Saadhana

Fund Providers	Cummulative Funds Provided up to Mar 2009 (Rs. in millions)	Cummulative Repayment up to Mar 2009 (Rs. in millions)	Outstanding as on Mar 2009 (Rs. in millions)	Total No. of Loans
Friends of Women's World Banking (FWWB)	359 (26per cent)	234 (29. 5per cent)	125 (21per cent)	61
SIDBI	150 (11per cent)	87.76 (11per cent)	62.24 (11per cent)	10
HDFC Bank	179 (13per cent)	98.55 (12per cent)	80.45 (14per cent)	16
ABN AMRO	270 (20per cent)	180 (23per cent)	90 (15per cent)	19
AXIS Bank	320 (23per cent)	190 (24per cent)	130 (22per cent)	20
Development Credit Bank (DCB)	50 (3. 5per cent)	- Nil (0per cent)	50 (9per cent)	1
Karur Vysya Bank	50 (3. 5per cent)	3.13 (0. 5per cent)	46.88 (8per cent)	2
Total	1,378	793.43	584.57	

(Figures in parenthesis percentage share in total funds provided and outstanding)

Table 4: CRISIL Grading To Saadhana

Parameter	Grading
Management	3
Institutional arrangement	3
Capital adequacy and asset quality	4
Resources and asset-liability management	3
Operational effectiveness	4
Scalability and sustainability	3

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